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DEPARTMENT OF COMMERCE

International Trade Administration

Healthcare Trade Mission to Russia, October 21-25, 2013

**AGENCY:** International Trade Administration, Department of Commerce

**ACTION:** Notice

**MISSION DESCRIPTION**

The U.S. and Foreign Commercial Service (CS), an agency of the U.S. Department of Commerce's International Trade Administration, is organizing a Healthcare Trade Mission to Moscow and St. Petersburg, Russia from October 21-25, 2013 which will be led by a Senior Commerce official.

Russia, with 140 million consumers and almost unlimited medical needs, presents lucrative opportunities for U.S. companies. In addition Russia's recent membership into the WTO will benefit U.S. exports to Russia. Significant equipment, technologies, and investments are needed in the healthcare sector, specifically in the medical equipment, dental equipment and biotechnology areas. This healthcare mission will directly contribute to the National Export Initiative (NEI) by assisting U.S. businesses in entering new markets and increasing U.S. exports to Russia. As a result, the mission will focus on U.S. firms and trade associations in the following sectors: medical equipment, dental equipment and biotechnology.

The mission will help participants gain market insights, make industry contacts, solidify business strategies, and advance specific projects with the goal of increasing U.S. exports to Russia. The mission will include one-on-one business appointments with pre-screened potential partners, market briefings, and networking events. Participating companies will enhance their ability to assess the Russian market by joining this official U.S. delegation.

## COMMERCIAL SETTING

Russia is one of the world's fastest growing economies and its healthcare system is evolving rapidly with a promising outlook for U.S. healthcare exports, particularly with medical equipment, dental equipment and biotechnology. It is estimated that only 20% of Russia's population has access to quality healthcare in a system that is { primarily government run } and under-funded.

As a result, approximately 20% of overall health care spending is covered out-of- pocket by patients.

Voluntary healthcare insurance programs account for approximately one-third of total private healthcare expenditures. According to future reform plans, mandatory insurance funds will serve as the main source of healthcare funding and will provide transparency and monetary control within the system.

The National Health Project was developed in 2005 and was designed to significantly improve Russian healthcare. From 2011-2013, \$15.4 billion was allocated from both the federal budget and the Mandatory Healthcare Insurance Fund. The Program of Healthcare Modernization 2011-2012, aimed at renovating and upgrading healthcare facilities, was financed at \$11 billion. In addition, Russian healthcare providers need modern technologies for diagnostics and treatment. Russian patients are becoming more aware of modern medical technologies around the world and expect the same types of treatment in Russia.

In addition to these programs, the Ministry of Health has recently developed a draft government program called "Development of Healthcare in the Russian Federation." This document is currently under review for approval. It contains the principles of preventive medicine, quality of provided healthcare services, education of medical personnel, and overall changes in the healthcare infrastructure.

The Ministry of Industry and Trade is also currently developing a strategy for the development of the medical industry until 2020. With continued growth in this sector, World Trade Organization (WTO) accession, and government plans to modernize and invest in Russian healthcare to 2020, American companies should be poised to make significant contributions to this market.

## Medical Equipment

The medical equipment sector is one of the fastest growing sectors of the economy. There is a relatively stable macroeconomic situation in Russia with much unsatisfied deferred demand for medical equipment across the country. In addition, the Russian government pays close attention to this field and is making efforts for greater transparency and efficiency, resulting in increased government financing for the purchase of medical equipment. For example, the Program of High-Tech Medical Assistance 2011-2013 was financed at \$4 billion.

### **Medical Equipment**

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Since commercialization of medical equipment manufactured in Russia remains low, the market for medical equipment is heavily dependent on imports. The average annual increase in the import market for medical equipment from 2006 to 2011 was approximately 23%. Medical equipment imports in 2006 were \$14.2 billion with steady growth to \$41 billion in 2011.

In 2011, the market for specific subsector of diagnostics and imaging equipment was estimated at \$4.9 billion. During the next nine years the experts expect the yearly market growth at 13.5%. This includes diagnostics and imaging equipment, cardiovascular equipment, ophthalmology, orthopedics, laboratory diagnostics and urology.

Membership in the WTO will also benefit foreign exports to Russia. After full implementation of the WTO accession and Permanent Normal Trade Relations, tariffs for medical equipment are estimated to range from 0% to 7%. Currently, tariffs range as high as 15% to 20%.

### Dental Equipment

The Russian dental market is also an area that is expanding and showing good growth potential. In 2011, total world imports into Russia for dental equipment were approximately \$500 million and the total market for dental services was approximately \$6 billion.

The number of clinics, practicing dentists, technicians and patient visits are all on the rise. There are over 9,500 dental units operating in Moscow, with 3,000 state clinics and over 6,500 private clinics. There are 670 municipal dental clinics and 2900 dental departments within those clinics.

The highest level of {dental industry privatization} is in the Moscow region.

The number of practicing dentists in Russia is 68,000, of which 35,000 are members of the Russian Dental Association. The number of patient visits is approximately 150 million a year. However, the ratio of dentists to patients in Russia is still only 45/100,000 people, which is below levels in the U.S and most European countries. In the U.S., the ratio of patients to dentists is 60/100,000.

The dental market is one of the most highly controlled and organized markets in Russia. The largest associations are the Russian Dental Association which has 69 regional divisions and the Dental Industry (DI ROSI) which has 45 member companies. These associations play an important role in the introduction of new technologies and practices, actively participate in trade events and publish in professional journals. As a result, they have a large impact on the industry. The two major dental universities are Moscow State Medical and Dental University and the Sechenov Medical Academy in Moscow.

Domestic production of dental equipment is insufficient in Russia and produces very few new products. Local manufacturers such as Avera, VladMiVa, Raduga Rossii, Geosoft, Stomadent Omega, and Tselit produce a wide range of dental equipment. Since Russia's domestic dental production level meets only 20% of total demand, imports play a significant role in the market. The majority of dental equipment is supplied from the U.S, Germany, France, Switzerland, Japan, and other countries.

Many large U.S. and international companies have offices in Russia, including Dentsply, 3M, Nobel Biocare, Mileston, Midmarek, 3i, Sirona, Kavo, Colgate, Kodak-Eastman, Philips-Sonicare, Discus Dental (now owned by Philips), Oral B, and Wrigley Adept.

There are about 500 distributors of dental equipment in Russia. The major distributors are located in Moscow and work in other regions through smaller local distributors or through regional representatives. Import customs clearances are executed more easily in larger cities like Moscow and St. Petersburg. There are strict product registration and certification procedures necessary for the release of dental equipment into the market. The registration and certification process can be complicated, time-consuming, and expensive. It may require a regular market presence by the manufacturer or an authorized representative with competent Russian language skills and knowledge of the local market to be able to complete the process.

## Biotechnology

In the last several years, Russia has been developing an innovative modern economy by focusing on information technologies and nanotechnologies. The biotechnologies area has large potential and is underdeveloped, but is evolving because of the need to extend life expectancies within the country. Large companies like Celgene, Amgen, and Genzyme are established in the market and are already working in the biotechnology field. Despite the fact that major companies from Europe and the U.S. have already entered the market, there is still room for small innovative companies in the biotechnology area. Good

examples include two small biotechnology companies, Bind and Selecta, who have recently opened offices in Russia to start R & D which is a priority of the Russian government.

The Government Commission on High Technologies and Innovations signed a decision in April, 2011 to create a State Coordination Program for the Development of Biotechnology in the Russian Federation until 2020. The Ministry of Economic Development is responsible for this program which focuses on several areas including biopharmaceuticals and biomedicine.

Biopharmaceuticals (essential medicines, including biogenerics, hormones, cytokines, therapeutic monoclonal antibodies, peptides, phytomedicines, new generation vaccines, antibiotics and bacteriophages)

Biomedicine (molecular diagnostics, personalized medicine, engineered cell and tissue for therapeutic purposes, biocompatible materials)

The Russian market of biopharmaceuticals in 2010 was estimated at \$ 2.2 billion, of which \$1.3 billion was dedicated to cytokines, genetically engineered hormones (including insulin), coagulants and therapeutic enzymes, monoclonal antibodies (\$350 million), and vaccines (\$350 million). The sales of the two former antibodies and vaccines are expected to rise to \$480 million and \$370 million respectively by the year 2015.

The Russian biomedicine market is focused on the development and manufacturing of biotechnological products for the diagnosis and treatment of human diseases and for the prevention of harmful effects of the environment on humans. The world market of biotechnology (used for molecular genetics diagnostic technologies) was \$13.5 billion in 2010, and is expected to be \$33.3 billion by 2015. The access to credible biomedicine data for the Russian market is low because the segment has not been fully developed, but it is expected to mature in the near future.

Biotechnology is a large part of the overall pharmaceutical sector. According to industry experts, Russia is currently one of the ten largest pharmaceutical markets in the world. In 2011, the pharmaceutical market volume amounted to \$26 billion in end user prices, which is 12% higher than in 2010.

An important recent trend was the planning and formation of “pharmaceutical clusters”. This was due in part to the completion of the “Strategy of Development of the Pharmaceutical Industry- 2020”, developed by the Ministry of Industry and Trade which outlines some government priorities.

The Russian pharmaceutical market is import driven with 76% of drugs taken in Russia produced abroad. The only domestic manufacturer in the top 20 leading players in the Russian pharmaceutical market is Pharmstandart.

## **MISSION GOALS**

The goal of the Healthcare Trade Mission to Russia is to promote the export of U.S. goods and services by: 1) introducing U.S. companies to industry representatives and potential clients and partners; and 2) introducing U.S. companies to industry experts to learn about policy initiatives that will impact the Russian healthcare industry in general as well as the major segments: medical equipment, dental equipment and biotechnology.

## **MISSION SCENARIO**

In Moscow, trade mission members will participate in an Embassy briefing from industry experts and take part in one-on-one business appointments with private-sector organizations and/or government agencies as appropriate. In addition, they will enjoy a networking event with industry leaders and partners. In St. Petersburg, all of the delegates will have customized one-on-one business appointments and attend another networking reception.

Matchmaking efforts will involve partners such as the Association of International Pharmaceutical Manufacturers (AIPM), Innovative Pharma, Association of International Manufacturers of Medical Devices (IMEDA), and the American Chamber of Commerce in Russia. U.S. participants will be

counseled before, during, and after the mission by CS Russia staff actively involved in the healthcare trade mission.

#### **PROPOSED TIMETABLE**

Sunday October 20 Day 1	Arrival into Moscow  Informal greeting at hotel and no host dinner.
Monday October 21 Day 2	Moscow  Briefing by the U.S. Embassy and industry experts  Site Visits in afternoon
Tuesday October 22 Day 3	Moscow  One-on-one business appointments  Networking reception
Wednesday October 23 Day 4	Depart for St. Petersburg  Travel day and free evening in St. Petersburg
Thursday October 24 Day 5	St. Petersburg  One-on-one business appointments  Networking reception
Friday October 25 Day 6	St. Petersburg  Additional meetings and follow-up appointments.  Departure for the U.S. (Friday evening or Saturday, June 8)



## **PARTICIPATION REQUIREMENTS**

All parties interested in participating in the Healthcare Trade Mission to Russia must complete and submit an application package for consideration by the Department of Commerce. All applicants will be evaluated on their ability to meet certain conditions and best satisfy the selection criteria as outlined below. A minimum of 15 U.S. companies and/or trade associations and maximum of 20 companies and/or trade associations will be selected to participate in the mission from the applicant pool. U.S. companies or trade associations already doing business with Russia, as well as U.S. companies or trade associations seeking to enter these countries for the first time may apply.

## **FEES AND EXPENSES**

After a company or trade association has been selected to participate in the mission, a payment to the Department of Commerce in the form of a participation fee is required. The participation fee will be \$4,050 for large firms and \$3,830 for a small or medium-sized enterprise (SME) or small organization, which will cover one representative.\*<sup>1</sup> The fee for an additional representative (SME or large company) is \$750.00

## **EXCEPTIONS**

Expenses for travel, lodging, meals, and incidentals will be the responsibility of each mission participant. Delegation members will be able to take advantage of U.S. Embassy rates for hotel rooms as of Sunday, October 20 through to Wednesday, October 23 in Moscow and Wednesday through Friday, October 25 in St. Petersburg. Please note that the trade mission begins in Moscow and ends in St. Petersburg. Early

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<sup>1</sup> An SME is defined as a firm with 500 or fewer employees or that otherwise qualifies as a small business under SBA regulations (see <http://www.sba.gov/services/contractingopportunities/sizestandardtopics/index.html>). Parent companies, affiliates, and subsidiaries will be considered when determining business size. The dual pricing reflects the Commercial Service's user fee schedule that became effective May 1, 2008 (see <http://www.export.gov/newsletter/march2008/initiatives.html> for additional information).

arrival nights in Moscow, return transportation to Moscow from St. Petersburg, or the extension of stay in St. Petersburg will be the responsibility of the participants.

## **CONDITIONS FOR PARTICIPATION**

An applicant must submit a completed and signed mission application and supplemental application materials, including adequate information on the company's products and/or services, primary market objectives, and goals for participation. If the Department of Commerce receives an incomplete application, the Department may reject the application, request additional information, or take the lack of information into account when evaluating the applications.

Each applicant must also certify that the products and services it seeks to export through the mission are either produced in the United States, or, if not, marketed under the name of a U.S. firm and have at least 51 percent U.S. content of the value of the finished product or service.

## **CRITERIA FOR PARTICIPATION**

Selection will be based on the following criteria:

1. Suitability of the company's products or services to the market. Please note that due to Government procurement restrictions the Russian healthcare market is not receptive to used or refurbished products. For the purpose of this mission therefore, participants may not promote used or refurbished goods in the context of this mission.
2. Applicant's potential for business in Russia and in the region, including likelihood of exports resulting from the mission.
3. Consistency of the applicant's goals and objectives with the stated scope of the mission.

Diversity of company or trade association size, sector or subsector, and location may also be considered during the review process.

Referrals from political organizations and any documents containing references to partisan political

activities (including political contributions) will be removed from an applicant's submission and not considered during the selection process.

## **TIMEFRAME FOR RECRUITMENT AND APPLICATIONS**

Mission recruitment will be conducted in an open and public manner, including publication in the Federal Register the Federal Register (<http://www.gpoaccess.gov/fr>), posting on ITA's trade mission calendar (<http://export.gov/trademissions>, and other Internet web sites, press releases to general and trade media, direct mail, notices by industry trade associations and other multiplier groups, and publicity at industry meetings, symposia, conferences, and trade shows. Recruitment will begin immediately and conclude no later than COB July 29, 2013. The U.S. Department of Commerce will review applications and make selection decisions on a rolling basis until the maximum of fifteen participants is reached. We will inform all applicants of selection decisions as soon as possible after the applications are reviewed. Applications received after the July 29th deadline will be considered only if space and scheduling constraints permit.

## **CONTACTS**

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